Supreme Court, U.S.
FILED

FEB 11 2002

OFFICE OF THE CLERK

NO. 01-1468

In the

SUPREME COURT OF THE UNITED STATES

October Term 2001

PHONOMETRICS, INC.,

Petitioner,
v.

HOTEL CORPORATION OF THE PACIFIC
(doing business as ASTON HOTELS & RESORTS)

Respondent.

On Petition for Writ of Certiorari To the United States Court of Appeals For the Federal Circuit

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CORRECTED PETITION FOR A WRIT OF CERTIORARI

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PHONOMETRICS, INC.

QUESTIONS PRESENTED

1. Where a party joined in a Rule 12(e) motion on April 29, 1996, and joined in a Rule 12(b)(6) motion on October 23, 1998, omitting a defense of lack of personal jurisdiction in both motions, may that party file a Rule 12(b)(2) motion on May 3, 2000?

2. Is jurisdiction proper under 28 U.S.C. §1400(b) where Aston Hotels & Resorts advertises in telephone directories that it has a regular and established place of business at 345 Taylor Street in San Francisco (A-5 to A-7) and has at least two hotels in San Francisco (A-8) that provide call accounting information to hotel guests upon checking out of the hotel in violation of a United States Patent?

CORPORATE DISCLOSURE STATEMENT

Petitioner, Phonometrics, Inc., is a Florida corporation. There are no parent corporations. No publicly held company owns 10% of Phonometrics, Inc.

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CORRECTED PETITION FOR A WRIT OF CERTIORARI

The caption contains all parties to the proceeding below, although the Rule 12(b)(2) motion was filed only on behalf of Hotel Corporation of the Pacific, doing business as Aston Hotels & Resorts. There are no parent or subsidiary companies to be listed.

JURISDICTION

The Judgment of the United States Court of Appeals for the Federal Circuit was entered on October 3, 2001. The Petition for Rehearing was denied on November 13, 2001. Jurisdiction in this Court is grounded on 28 U.S.C. §1254(1).

APPLICABLE RULES

Fed. R. Civ. P. 7(a) reads:

Rule 7. Pleadings allowed: Form of Motions

(a) Pleadings. There shall be a complaint and an answer; a reply to a counterclaim denominated as such; an answer to a cross-claim, if the answer contains a cross-claim; a third-party complaint, if a person who is not an original party is summoned under the provisions of Rule 14; and a third-party answer, if a third-party complaint is served. No other pleading shall be allowed, except that the court may order a reply to an answer or a third-party answer.

Fed. R. Civ. P. 12(b)(2) and 12(b)(6) read:

(b) How Presented. Every defense, in law or fact, to a claim for relief in any pleading . . . shall be asserted in a responsive pleading . . . except that the following defenses may at the option of the pleader be made by motion: . . . (2) lack of jurisdiction over the person, . . . (6) failure to state a claim upon which relief can be granted.

Fed. R. Civ. P. 12(e) provides:

(e) Motion for More Definite Statement. If a pleading to which a responsive pleading is permitted is so vague or ambiguous that a party cannot reasonably be required to frame a responsive pleading, the party may move for definite statement before interposing a responsive pleading.

Rule 12 (g) provides:

(g) Consolidation of Defenses in Motion. A party who makes a motion under this rule may join with it any other motions herein provided for and then available to the party. If a party makes a motion under this rule but omits therefrom any defense or objection then available to the party this rule permits to be raised by motion, the party shall not thereafter make a motion based on the defense or objection so omitted, except a motion as provided in subdivision (h)(2) hereof on any of the grounds there stated.

Rule 12(h)(1) and (2) provide:

> (h) **Waiver or Preservation of Certain Defenses.**
>
> (1) A defense of lack of jurisdiction over the person, . . . is waived (A) if omitted from a motion in the circumstances described in subdivision (g), or (B) if it is neither made by motion under this rule nor included in a responsive pleading or an amendment thereof permitted by Rule 15(a) to be made as a matter of course.
>
> (2) A defense of failure to state a claim upon which relief can be granted, . . . may be made in any pleading permitted or ordered under Rule 7(a), or by motion for judgment on the pleadings, or at the trial on the merits.

STATEMENT OF THE CASE

Jurisdiction of the Federal Circuit was based on 28 U.S.C. §1295(a)(1) in this patent case.

Phonometrics, Inc. sued a number of hotel chains, including Aston Hotels & Resorts ("Aston") on February 26, 1996. On April 29, 1996, Hotel Corporation of the Pacific, Inc. d.b.a. Aston Hotels & Resorts "as and for its response to the complaint filed by Plaintiff, Phonometrics, Inc. hereby joins" the Rule 12(e) motion for a more definite statement filed by codefendant Red Lion Hotels, Inc. (A-10). It omitted a defense of a lack of jurisdiction over the person under Rule 12(b)(2) under the circumstances described in Rule 12(g). Accordingly, the defense was waived under Rule 12(h)(1)(A).

On October 23, 1998, the district court *sua sponte* dismissed the complaint for failure to plead specific facts

(A-13). The district court did not denominate the motion as being under Rule 12(b)(6), and it was not a pleading permitted by rule 7(a), was not a motion for judgment on the pleadings, and it was not at the trial on the merits. Accordingly, it did not comply with Rule 12(h)(2).

Aston joined in this second Rule 12 motion just as it joined in the first. It filed a motion for an award of attorney fees under 35 U.S.C. §285 as a prevailing party in the dismissal of the complaint. The award was granted by the district court as an adjunct to the *sua sponte* motion to dismiss. The award of attorney fees was vacated, as was the motion to dismiss in *Phonometrics, Inc. v. Hospitality Franchise Systems, Inc.*, 203 F.3d 790 (Fed. Cir. 2000). The Federal Circuit, in reversing, denominated the *sua sponte* motion as under Rule 12(b)(6).

On remand from the Federal Circuit, the district court denied the motion for a more definite statement under Rule 12(e) on April 3, 2000 (A-17).

On September 25, 2000, the district court granted Aston's motion to dismiss under Rule 12(b)(2) for lack of personal jurisdiction (A-20 to A-25). Evidence that Aston had a regular and established place of business at 345 Taylor Street in San Francisco with two telephone numbers (A-5) and had two or three Aston hotels in San Francisco (A-6 and A-7) was said to be "extremely minimal contacts with California" because the hotels "are owned by HCP, Inc., merely use the Aston name, do not produce profits for Aston, and are not managed by Aston" (A-24). In its initial pleading (A-10), Aston admitted that it does business as "Aston Hotels & Resorts," the very name used on the regular and established place of business in San Francisco (A-5) and on the hotels (A-6 and A-7).

On October 3, 2001, the Federal Circuit affirmed *per curiam* without opinion.

On November 13, 2001, the panel and the Federal Circuit *en banc* denied the petition for rehearing.

ARGUMENT

1. THE DEFENSE OF LACK OF PERSONAL JURISDICTION WAS WAIVED.

Phonometrics requests that the writ be granted and the matter remanded to the Federal Circuit for consideration of Rules 12(g) and (h)(1). Aston waived its defense of lack of jurisdiction over the person by omitting the defense from its first and second Rule 12 Motions.

Rule 12(h)(1) is clear that the "defense of lack of jurisdiction over the person" is waived "if omitted from a motion in the circumstances described by subdivision (g)." Subdivision (g) states that a "party shall not thereafter make a motion based on the defense" of Rule 12(b)(2) if omitted from a first motion. Here, there were not only one but two Rule 12 motions filed during the four years that the case was pending, neither of which included Rule 12(b)(2). "The waiver reinforces the policy of subdivision (g) forbidding successive motions" (Advisory Committee Notes to 1966 amendment to Rule 12(h)). "Jurisdictional objections to the court's power over the person are waived unless timely asserted by motion or answer" *Zelson v. Thumforde*, 412 F.2d 56, 58 (3rd Cir. 1969).

The present case resembles the recent case of *Uffner v. La Reunion Francaise, S. A.*, 244 F.3d 38, 40 (1st Cir. 2001): "By failing to include a 12(b)(2) argument in their motion to dismiss, appellees waived this defense in the

district court [citation omitted]. Once a party has waived the defense of lack of personal jurisdiction, the court may not, *sua sponte*, raise the issue in its ruling on a motion to dismiss."

The waiver is complete and cannot be undone years later. The case should be remanded to consider the clear import of Rule 12(g) and (h).

2. HOTEL CORPORATION OF THE PACIFIC ADMITTED THAT IT DOES BUSINESS AS ASTON HOTELS AND RESORTS.

Phonometrics requests that the writ be granted and the matter be remanded to the Federal Circuit to consider the evidence of minimum contacts under *International Shoe Corp. v. Washington*, 326 U.S. 310 (1945). The district court and the Federal Circuit ignored the evidence that Aston did business in the Northern District of California.

If Hotel Corporation of the Pacific was not the proper defendant sued as Aston Hotels and Resorts, it should have raised the defense with its first Rule 12 motion. The Advisory Committee Notes for the 1966 Amendments to Rule 12(h) point out that "[s]ince the language of the subdivisions is made clear, the party is put on fair notice of the effect of his actions and omissions and can guard against unintended waiver." Instead of challenging personal jurisdiction, Aston admitted that Hotel Corporation of the Pacific does business as Aston. By implication, the abbreviation HCP also does business as Aston. The district court acknowledged that HCP, Inc. does business as Aston (A-24). Four years after the complaint was filed, Aston hired new counsel who tried to undo the admission that Hotel Corporation of the Pacific

does business as Aston Hotels & Resorts. There was no evidence at all admitted that HCP owns the San Francisco Aston hotels, contrary to the statement of the district court (A-24). There was only argument of counsel and no evidence. If Hotel Corporation of the Pacific and HCP are unrelated entities that do business as "ASTON HOTELS & RESORTS", both should have responded to the complaint. Only Hotel Corporation of the Pacific waived service of process in 1996. HCP did not respond to the suit against Aston Hotels & Resorts, the entity that advertised the San Francisco Hotels in the Directory of the American Hotel and Motel Association (A-8).

The same Advisory Committee Notes state that a "party who by motion invites the court to pass upon a threshold defense should bring forward all the specified defenses he then has and thus allow the court to do a reasonably complete job." Instead, Aston filed serially a Rule 12(e) motion in 1996 (A-10), a Rule 12(b)(6) motion in 1998 (A-12), and a Rule 12(b)(2) motion in 2000 (A-18). All three are threshold motions that should not have been spread over four years. All three "present preliminary matters that normally should be adjudicated early in the action" Wright & Miller, *Federal Practice and Procedure*, §1349. Not only had four years passed, but the case had been appealed to the Federal Circuit twice, once on the *sua sponte* dismissal and once on the award of attorney fees. This is not "early in the action."

The complaint alleges that Aston infringes the patent. Aston had minimum contacts with the Northern District of California by reason of its listing of three hotels in San Francisco in the Hotel and Motel Association

Directory (A-8), the travel agent directories (A-5) and the telephone directories (A-6 and A-7). These directories are admissible as evidence under Fed. R. Evid. 803(17) as "generally used and relied upon by the public or by persons in particular occupations." The evidence should not have been ignored as "extremely minimal contacts" (A-24). Aston "should reasonably anticipate being haled into court there" *World Wide Volkswagen Corp. v. Woodson*, 444 U.S. 286, 287 (1980) as it was in fact. The district court in the Southern District of Florida, to whom the case was transferred by the Judicial Panel on Multidistrict Litigation, did not consider the evidence of contacts with the Northern District of California.

There can be no doubt that Aston has a regular and established place of business in San Francisco, and the waiver of service by the original counsel for Aston (A-21) acknowledges that service of process in San Francisco of this patent infringement action was proper under 28 U.S.C. §1694. Aston cannot undo the personal jurisdiction that was proper in the year 1996 by motion in the year 2000. Jurisdiction over the person does not require proof of the tort of patent infringement to lie *Perkins v. Benguet Consolidated Mining Co.*, 342 U.S. 437 (1952). It is enough to have regularly done or solicited business in the forum, which is clearly the case here. On the merits, there are minimum contacts within the meaning of *International Shoe Corp. v. Washington*, 326 U.S. 310 (1945).

CONCLUSION

Aston filed three Rule 12 motions over four years, which is barred by Rule 12(h)(1)(A). Aston waived its Rule 12(b)(2) defense by waiting four years to assert it. On the merits, Aston had contacts with the Northern District of

California sufficient to satisfy *International Shoe Corp. v. Washington*. The Federal Circuit should be directed to address both points on remand.

Dated: March 28, 2002

Respectfully submitted,

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Attorney for Petitioner
PHONOMETRICS, INC.

APPENDIX A

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

FILED
U.S. COURT OF APPEALS FOR
THE FEDERAL CIRCUIT
OCT 5 2001
JAN HORBALY
CLERK

01-1018

PHONOMETRICS, INC.,
Plaintiff-Appellant,
v.
HOSPITALITY FRANCHISE SYSTEMS, INC., MOTEL 6, L.P., INTERSTATE HOTELS CORPORATION, SRS HOTELS, FAIRMONT HOTEL MANAGEMENT COMPANY, CLUBHOUSE INNS OF AMERICA, VAGABOND INNS, INC., ECONOMY INNS OF AMERICA, NENDELS CORPORATION, AMFAC RESORTS, SUMMERFIELD SUITES HOTELS, GROSVENOR HOTELS GROUP, PAN PACIFIC HOTELS AND RESORTS, BENCHMARK HOSPITALITY, INNCAL, INC., RAPHAEL HOTEL GROUP, COASTAL HOTEL GROUP, CHASE MANAGEMENT CORPORATION, ANDREW HOTEL MANAGEMENT COMPANY, RED LION HOTELS AND INNS, OUTRIGGER LODGING SERVICES, COLONY HOTELS & RESORTS, PARK LANE HOTELS INTERNATIONAL, E-Z 8 MOTEL, INC. and NIKKO HOTELS (U.S.A.), INC.
And
HOTEL CORPORATION OF THE PACIFIC
(doing business as Aston Hotels & Resorts),
Defendant-Appellee.

JUDGMENT

ON APPEAL from the United States District Court for the Southern District of Florida in Case No(s). 97-CV-8125.

This CAUSE having been heard and considered, it is

ORDERED and ADJUDGED:

Per Curiam (MICHEL, Circuit Judge, ARCHER, Senior Circuit Judge, and RADER, Circuit Judge):

AFFIRMED. *See* Fed. Cir. R. 36

Dated: October 3, 2001

ENTERED BY ORDER OF THE COURT

JAN HORBALY, Clerk

Issued as a mandate: November 20, 2001

APPENDIX B

UNITED STATES COURT OF APPEALS
FOR THE FEDERAL CIRCUIT

01-1018

FILED
U.S. COURT OF APPEALS FOR
THE FEDERAL CIRCUIT
NOV 13 2001
JAN HORBALY
CLERK

PHONOMETRICS, INC.,
Plaintiff-Appellant,

v.

HOSPITALITY FRANCHISE SYSTEMS, INC., MOTEL 6, L.P., INTERSTATE HOTELS CORPORATION, SRS HOTELS, FAIRMONT HOTEL MANAGEMENT COMPANY, CLUBHOUSE INNS OF AMERICA, VAGABOND INNS, INC., ECONOMY INNS OF AMERICA, NENDELS CORPORATION, AMFAC RESORTS, SUMMERFIELD SUITES HOTELS, GROSVENOR HOTELS GROUP, PAN PACIFIC HOTELS AND RESORTS, BENCHMARK HOSPITALITY, INNCAL, INC., RAPHAEL HOTEL GROUP, COASTAL HOTEL GROUP, CHASE MANAGEMENT CORPORATION, ANDREW HOTEL MANAGEMENT COMPANY, RED LION HOTELS AND INNS, OUTRIGGER LODGING SERVICES, COLONY HOTELS & RESORTS, PARK LANE HOTELS INTERNATIONAL, E-Z 8 MOTEL, INC. and NIKKO HOTELS (U.S.A.), INC.

And

HOTEL CORPORATION OF THE PACIFIC
(doing business as Aston Hotels & Resorts),
Defendant-Appellee

ORDER

A combined petition for panel rehearing and for rehearing en banc having been filed by the Appellant, and the petition for rehearing having been referred to the panel that heard the appeal, and thereafter the petition for rehearing en banc having been referred to the circuit judges who are in regular active service,

UPON CONSIDERATION THEREOF it is

ORDERED that the petition for panel rehearing be, and the same hereby is, DENIED and it is further

ORDERED that the petition for rehearing en banc be, and the same hereby is, DENIED.

The mandate of the court will issue on November 20, 2001.

FOR THE COURT

Jan Horbaly
Clerk

Dated: November 13, 2001

cc: John P. Sutton
Ury Fischer

PHONOMETRICS V. HOSPITALITY FRANCHIS,
01-1018 (DCT – 97-CV-8125)

APPENDIX C

SAN FRANCISCO FOR A SONG

HOTEL MARK TWAIN	THE ASTON PICKWICK HOTEL
From $75 per room	From $65 per room
A San Francisco landmark in the heart of "The City" – a short stroll from Union Square, the cable cars, theaters and the Nordstrom-San Francisco Centre. Restaurant, cocktail lounge and meeting rooms.	*Only ½ block from the cable car turnaround, and the San Francisco Centre, three blocks to Union Square, and two blocks from the Moscone Center! Restaurant, cocktail lounge and meeting rooms. Newly refurbished guest rooms.*
345 Taylor Street, San Francisco, CA 94102 800-288-9246 – Fax 415-398-0733	85 Fifth Street, San Francisco, CA 94103 800-227-3282 – Fax 415-243-8056
24-Hour Reservations	Toll Free 800-922-7866 *ASTON*
Airline Systems Access Code AH	10% Commission to Travel Agents
Deluxe rooms, suites available in both locations. All rates subject to 11% Hotel Tax.	Special rates for groups, corporations, seniors and agents.

APPENDIX D

ASTON HOTELS & RESORTS

ASTON Hotels & Resorts

The Majestic
The Regis
Hotel Mark Twain

RESERVATIONS

HOTEL MARK TWAIN	
345 Taylor	673-2332
No Charge to Calling Party	800-622-0873
MAJESTIC HOTEL	
1500 Sutter	441-1100
No Charge to Calling Party	800-252-1155
REGIS HOTEL	
490 Geary	928-7900
No Charge to Calling Party	800-854-0011
Aston Hotels Resorts 345 Taylor	673-1700

APPENDIX E

ASTON HOTELS & RESORTS

ASTON Hotels & Resorts

Hotel Mark Twain
Pickwick Hotel
San Francisco's Best Values

RESERVATIONS

ASTON HOTELS & RENTALS	
No Charge to Calling Party	800-922-7866
National Reservation Line	800-92-ASTON
HOTEL MARK TWAIN	
345 Taylor	673-2332
No Charge to Calling Party	800-288-9246
PICKWICK HOTEL	
85 5th	421-7500
No Charge to Calling Party	800-423-3038

APPENDIX F

ASTON HOTELS & RESORTS
Andre S. Tatibouet, CHA, President
Executive Offices: 2255 Kuhio Avenue
Honolulu, HI 96815-2658
Telephone: (808) 923-0746
Toll Free Reservation No. (800) 922-7666 (USA)
(800) 432-6733 ext. 250 (Canada)

HOTEL or MOTEL	LOCATION	ROOMS
Hotel Mark Twain	San Francisco, CA	120
Regis Hotel	San Francisco, CA	74
The Majestic	San Francisco, CA	59
Coral Reef Hotel	Honolulu, HI	247
Island Colony	Honolulu, HI	740
Honolulu Prince	Honolulu, HI	125
Aston Waikiki Beach Tower	Honolulu, HI	136
Waikiki Sunset	Honolulu, HI	435
Waikikian on the Beach	Honolulu, HI	136
Inn on the Park	Honolulu, HI	238
Hawaiian Monarch	Honolulu, HI	278
Waikiki Surfside	Honolulu, HI	80
Aston Kauai Resort	Kapaa, HI	242
Kapaa Shore	Kapaa, HI	81
Pono Kai	Kapaa, HI	217
Kaha Lani	Lihue, HI	74
Kona Islander Inn	Kailua-Kona, HI	144
Aston Royal Sea Cliff Resort	Kailua-Kona, HI	150
Aston The Shores at Waikoloa	Kohala, HI	120
Kona by the Sea	Kona, HI	86

Aston Kamaole Sands	Kihei, HI	440
Maui Vista	Kihei, HI	285
Maui Hill	Kihei, HI	140
Maui Lu Resort	Kihei, HI	170
Aston Kaanapli Shores	Lahaina, HI	463
Mahana at Kaanapali	Lahaina, HI	216
Maui Kaanapali Villas	Lahaina, HI	253
Napili Point	Lahaina, HI	115
Paki Maui	Lahaina, HI	106
Maui Park	Lahaina, HI	288
Hotel Molokai	Kaunakakai, HI	56
Pau Hana Inn	Kaunakakai, HI	39
Aston Flamingo Cancun	Cancun, Mexico	162

Number of Properties 33/Rooms 6,514

APPENDIX G

MELVILLE OWEN (SBN 27373)
TIMOTHY J. HUMPHREY (SBN 150642)
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Attorneys for Defendant
Hotel Corporation of the Pacific, Inc.
d.b.a. Aston Hotels & Resorts

UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF CALIFORNIA

PHONOMETRICS, INC.,	Case No. C-96-0707-SC
Plaintiff,	JOINDER OF MOTION FOR A STAY, OR, IN THE ALTERNATIVE, FOR A MORE DEFINITE STATEMENT
v.	
HOSPITALITY FRANCHISE SYSTEMS, INC., et al.,	
Defendants.	Date: June 28, 1996 Time: Matter submitted on the papers; no appearance, no oral argument pursuant to the instructions of Court Court: The Hon. Samuel Conti

Defendant Hotel Corporation of the Pacific, Inc., d.b.a. Aston Hotels and Resorts, as and for its response to

the complaint filed by Plaintiff, Phonometrics, Inc., hereby joins the Notice of Motion and Motion for a Stay, or, in the Alternative, for a More Definite Statement filed by Defendant Red Lion Hotels, Inc.

Date: April 29, 1996

OWEN, WICKERSHAM & ERICSON

By_____

Timothy J. Humphrey
Attorneys for Defendant Hotel
Corporation of the Pacific, Inc. d.b.a.
Aston Hotels & Resorts

APPENDIX H

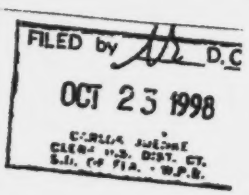
UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

Case No. 97-8125-CIV-RYSKAMP

PHONOMETRICS, INC.,

Plaintiff,

vs.



HOSPITALITY FRANCHISE SYSTEMS, INC., MOTEL 6, L.P., RED LION HOTELS & INNS, INTERSTATE HOTEL CORPORATION, OUTRIGGER LODGING SERVICES, SRS HOTELS, ASTON HOTELS & RESORTS, FOUR SEASONS HOTELS, COLONY HOTELS AND RESORTS, WESTCOAST HOTELS, FAIRMONT HOTEL MANAGEMENT COMPANY, NIKKO HOTELS INTERNATIONAL, CLUBHOUSE INNS OF AMERICA, EZ-8 MOTEL, INC., VAGABOND INNS INC., ECONOMY INNS OF AMERICA, PARK LANE HOTELS INTERNATIONAL, WENDELS CORPORATION, AMFAC RESORTS, SUMMERFIELD SUITES HOTELS, GROSVENOR HOTELS GROUP, PAN PACIFIC HOTELS AND RESORTS, ANA HOTELS INTERNATIONAL, BENCHMARK HOSPITALITY, INNCAL, INC., CHASE MANAGEMENT CORPORATION, RAPHAEL HOTEL GROUP, COASTAL HOTEL GROUP,

Defendants.

_____/

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

ORDER DISMISSING THE PLAINTIFF'S COMPLAINT

THIS CAUSE came before the Court *sua sponte.* By Order filed March 3, 1997, this Court entered an Order staying this case pending appeal of its decision in *Phonometrics v. Northern Telecom,* Case No. 93-6561-CIV-RYSKAMP, and closing the case for administrative purposes. On January 15, 1998, the Federal Circuit affirmed this Court's decision. See *Phonometrics, Inc. v. Northern Telecom,* 133 F.3d 1459 (Fed. Cir. 1998). Accordingly, the Court will vacate its Order closing the case and direct the Clerk of the Court to reopen the file.

By the decision in *Northern Telecom* and the earlier decision in *Intellicall v. Phonometrics,* 952 F.2d 1384 (Fed. Cir. 1983), the Federal Circuit has effectively defined the scope of claim 1 of the plaintiff's '463 patent. The relevant portion of claim 1 of the '463 patent requires a "call cost register means, including a digital display, for providing a substantially instantaneous display of cumulative call cost in dollars and cents." *Northern Telecom,* 133 F.3d at 1464. In *Northern Telecom,* the Court explained that the term "substantially instantaneous" means that the "register displays cumulative costs as they accrue, in real time, and not only once the call has ended." *Id.* at 1465. Moreover, the Court in *Intellicall* had previously established that the term "digital display" means a visual display and not machine readable information. *See Intellicall,* 952 F.2d at 1387-88.

Therefore, it is clear on the basis of the *Northern Telecom* and *Intellicall* decisions, that in order for the plaintiff to state a cause of action for infringement of claim 1 of its '463 patent, the plaintiff must allege that every defendant's call cost accounting equipment;

(1) displays cumulative costs in real time as the accrue, and

(2) displays these costs on a visual digital display. The plaintiff's complaint does not make these allegations. Accordingly, the Court will dismiss the plaintiff's complaint with leave to amend.[1]

On the basis of these considerations, it is

ORDERED AND ADJUDGED that

1. This Court's Order filed March 3, 1997, be, and the same is hereby VACATED. The Clerk of the Court shall REOPEN the case.

---

[1] Without expressing any opinion as to the merits of the plaintiff's complaint, the Court simply notes that Rule 11 provides that: [b]y presenting to the court (whether by signing, filing, submitting or later advocating) a pleading, . . . an attorney . . . is certifying that to the best of the person's knowledge, information, and belief, formed after an inquiry reasonable under the circumstances, (3) the allegations and other factual contentions have evidentiary support or, if specifically so identified, are likely to have evidentiary support after a reasonable opportunity for further investigation or discovery. . ." Fed.R.Civ.P. 11.

2. The plaintiff's complaint is hereby DISMISSED with leave to amend. The plaintiff shall have twenty (20) days from the date of entry of this Order to file an amended complaint.

DONE and ORDERED at the United States District Court, West Palm Beach, Florida this 23rd day of October, 1998.

KENNETH L. RYSKAMP
UNITED STATES DISTRICT JUDGE

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APPENDIX I

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
WEST PALM BEACH

IN RE PHONOMETRICS LITIGATION,
_____/

PHONOMETRICS, INC., Plaintiff,
v.

ITT SHERATON CORP.	No. 94-6502-Civ-Ryskamp
HILTON HOTELS CORP.	No. 94-6503-Civ-Ryskamp
WESTIN HOTEL CO.	No. 94-6504-Civ-Ryskamp
HYATT CORP.	No. 94-6688-Civ-Ryskamp
HOLIDAY INNS, INC.	No. 94-6689-Civ-Ryskamp
BEST WESTERN INTL. INC.	No. 94-6690-Civ-Ryskamp
EMBASSY SUITES INC.	No. 94-6949-Civ-Ryskamp
FORTE HOTELS, INC.	No. 94-7085-Civ-Ryskamp
CONCORD HOTELS INC.	No. 94-7087-Civ-Ryskamp
CHOICE HOTELS INTL. INC.	No. 94-7097-Civ-Ryskamp
WYNDHAM HOTEL CO.	No. 94-7106-Civ-Ryskamp
HOSPITALITY INTL. INC.	No. 94-7107-Civ-Ryskamp
TRIMARK HOTEL	No. 94-7110-Civ-Ryskamp
LA QUINTA INNS INC.	No. 94-7127-Civ-Ryskamp
CONTINENTAL COS.	No. 94-7130-Civ-Ryskamp
HAMPTON INNS INC.	No. 95-6209-Civ-Ryskamp
HOST MARRIOT CORP.	No. 94-6533-Civ-Ryskamp
INTER-CONTINENTAL	No. 94-6691-Civ-Ryskamp
HOSPITALITY FRANCHISE	No. 97-8125-Civ-Ryskamp
ACCOR NORTH AMERICA	No. 94-7129-Civ-Ryskamp

Defendants.
_____/

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA

ORDER DENYING THE DEFENDANTS REQUEST FOR TELEPHONIC STATUS CONFERENCE AND ORDER LIMITING SCOPE OF DISCOVERY

THIS CAUSE comes before the Court upon the Defendants Red Lion's and RHI's Request for Telephonic Status Conference and Request for Stay of Discovery [DE 68], filed March 29, 2000. The Defendants also bring to the Court's attention an outstanding motion for a more definite statement filed on April 29, 1996. However, in light of the Federal Circuit's recent ruling reversing and remanding this Court's order dismissing the plaintiff's suit, the Court shall deny the Defendants' motion for a more definite statement.

Given the Federal Circuit's remand order, parties shall proceed with discovery. However, discovery shall be limited to whether the defendants possess or use any "device which displays the cumulative cost of a long distance call both as charges accrue during the call and after the call has been terminated," consistent with the decision in *Phonometrics, Inc. v. Northern Telecom, Inc.*, 133 F.3d 1459 (Fed. Cir. 1998).

ORDERED AND ADJUDGED that the Defendants Red Lion's and RHI's Request for Telephonic Status Conference and Request for Stay of Discovery [DE 68] is hereby DENIED.

DONE AND ORDERED in Chambers at West Palm Beach, Florida this 3rd day of April, 2000.

KENNETH L. RYSKAMP
U.S. DISTRICT JUDGE

APPENDIX J

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
WEST PALM BEACH

Case No. 97-8125-Civ-Ryskamp/Vitunac

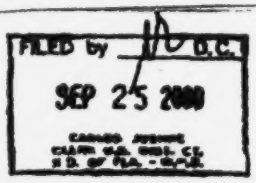
PHONOMETRICS, INC., a Florida Corporation,

Plaintiff,

v.

HOSPITALITY FRANCHISE SYSTEMS, INC., et al.,

Defendants.



ORDER GRANTING DEFENDANT HOTEL CORPORATION OF THE PACIFIC'S (ASTON) MOTION TO DISMISS

THIS CAUSE is before the Court upon Defendant Hotel Corporation of the Pacific's, d/b/a Aston Hotels & Resorts' (Aston) Motion to Dismiss [DE 113], filed May 3, 2000. On May 18, 2000 Plaintiff filed a Response [DE 128]. On May 26, 2000, Defendant filed a Reply [DE 134]. A hearing [DE 155] was held on this matter on July 27, 2000. On August 28, 2000 both parties filed supplemental materials [DE 157, 158]. Aston's motion is now ripe for consideration.

I. BACKGROUND

On February 22, 1996 the Plaintiff Phonometrics filed suit in California against Aston, and other defendants, for allegedly infringing United States Patent No. 3,769,463, which was issued on October 30, 1973 and expired on October 30, 1990. On May 24, 1996, Aston executed a waiver of service, but on July 1, 1996, all proceedings were stayed by the California District Court, and on December 11, 1996, this action was transferred to this Court by the Judicial Panel on Multidistrict Litigation pursuant to 28 U.S.C. §1407. Plaintiff's suit was dismissed on October 23, 1998, but was subsequently reinstated by the Eleventh Circuit on February 9, 2000. This Court therefore reopened the matter on April 19, 2000.

Once the case was reopened, Aston filed a Motion to Dismiss [DE 113] on May 3, 2000. In its motion, Aston, a Hawaiian corporation, claims that this Court lacks personal jurisdiction in this matter because 1) Aston is not reached by California's Long-Arm Statute [1], and 2) Aston does not have the minimum contacts required with the forum state to satisfy the Due Process Clause of the United States Constitution. Aston asserts through the affidavit and testimony of Senior Vice President Beverly A. Kirk that it does not and never has maintained a place of business in the State of California, and is not and never has been a

---

[1] Both parties agree that California's Long-Arm Statute, not Florida's, is appropriate for application to Aston's Motion to Dismiss.

resident of California. Ms. Kirk also denies the allegation in Plaintiff's complaint that Aston maintains a business in San Francisco, California.

Plaintiff responds by presenting evidence to support its claim that Aston conducts business in California. Plaintiff submits, *inter alia*, a 1994 Directory of Hotel & Motel Companies which lists the Hotel Mark Twain and Pickwick Hotel, both in San Francisco, as Aston Hotels & Resorts, a telephone directory which lists the Mark Twain's address in San Francisco, and an advertisement for these two hotels which depicts each as Aston Hotels & Resorts. Aston explains, however, that it only owns hotels located in Hawaii, and that the Hotel Mark Twain and Pickwick Hotel are the product of an oral agreement with these hotels to allow the use of the Aston name. According to Aston, it does not manage or own these hotels, derives no profits from their operation, and is in fact not even licensed to do business in California at all. The only connection between Aston and the California hotels using the Aston name is a shared toll-free number used for reservations, from which Aston receives no profits from callers who make reservations in San Francisco.

II. DISCUSSION

Where the defendant to an action is a foreign corporation, a federal court may exercise personal jurisdiction only to the extent permitted by the forum state's long-arm statute and the Due Process Clause of the

United States Constitution. See 3D Sys. v. Aerotech Labs, Inc., 160 F.3d 1373 (Fed. Cir. 1998). This Court must therefore perform a two-part analysis, determining first whether the California Long-Arm Statute reaches Aston, then determining whether Aston has sufficient minimum contacts to satisfy the Due Process Clause and ensure that maintenance of the suit does not offend "traditional notions of fair play and substantial justice" pursuant to International Shoe Co. v. Washington, 326 U.S. 310, 316 (1945). See Sculptchair, Inc. v. Century Arts, Ltd., 94 F.3d 623, 626 (11th Cir. 1996); ABL-USA Enterprises, Inc. v. Hawk Aviation, 15 F.Supp.2d 1297 (S.D. Fla. 1998) (both describing the two-step analysis, but applying the Florida Long-Arm Statute). Because California's Long-Arm Statute simply states that it is co-extensive with the limits of the United States Constitution, this Court need only address the Constitutional aspects of the two-part test. See Cal. Code Civ. Proc. §410.10; Core-Vent Corp. v. Nobel Indus. AB, 11 F.3d 1481, 1484 (9th Cir. 1993); Allegient Physicians Serv., Inc. v. Sturdy Mem. Hosp., 926 F.Supp. 1106, 1112 (N.D. Ga. 1996).

In order for Aston, a Hawaiian corporation, to be subject to personal jurisdiction in California, it must have "significant contacts" with that state, such that it would expect to be hailed into court there. See International Shoe, 326 U.S. at 316. Such significant contacts could subject Aston to either "general jurisdiction," based upon contacts so pervasive as to subject it to jurisdiction on any matter, or "specific jurisdiction," based only upon those contacts

related to the plaintiff's claim. See Helicopteros Nacionales de Colombia S.A. v. Hall, 466 U.S. 408, 414 (1984). In order to satisfy either of these standards, Aston must have purposefully availed itself of the benefits of the forum state's laws, and any imposed jurisdiction must be reasonable and fair. See Data Disc Inc. v. Systems Tech. Assoc., Inc., 557 F.2d 1280, 1287 (9th Cir. 1977).

In the instant case, Aston's extremely minimal contacts with California justify neither general nor specific jurisdiction. It is not refuted that Aston neither manages nor owns any hotels in California, but rather operates hotels exclusively in Hawaii. Although Plaintiff asserts that the Hotel Mark Twain and Pickwick Hotels in San Francisco, California constitute contacts with the forum state, Aston presents evidence that those hotels are owned by HCP, Inc., merely use the Aston name, do not produce profits from Aston, and are not managed by Aston. Only a shared toll-free reservation line ties the two entities together – an arrangement that does not constitute substantial contacts with California and cannot therefore subject Aston to personal jurisdiction in this case. Merely sharing a toll-free number with a California business does not show that Aston purposefully availed itself of the benefits of California law, nor does it demonstrate that Aston could reasonably expect to be hailed into court in California. For these reasons, it is

ORDERED AND ADJUDGED that Defendant Aston's Motion to Dismiss [DE 113], filed May 3, 2000, is

hereby GRANTED. Further, FINAL JUDGMENT is hereby entered in favor of Defendant Hotel Corporation of the Pacific, d/b/a Aston Hotels & Resorts (Aston).

DONE AND ORDERED in Chambers in West Palm Beach, Florida, this 25th day of September, 2000.

KENNETH L. RYSKAMP
UNITED STATES DISTRICT JUDGE

Supreme Court, U.S.
FILED
MAY 6 2002
OFFICE OF THE CLERK

No. 01-1468

IN THE

Supreme Court of the United States

PHONOMETRICS, INC.,

Petitioner,

v.

HOTEL CORPORATION OF THE PACIFIC, INC.,

Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE FEDERAL CIRCUIT

BRIEF IN OPPOSITION

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QUESTIONS PRESENTED

1. Whether the district court properly granted, and the circuit court properly affirmed granting of, the motion to dismiss for lack of personal jurisdiction filed by Respondent.

2. Whether this Court should decline to consider Petitioner's argument concerning the district court's decision to dismiss for lack of personal jurisdiction where Respondent has never maintained a regular or established place of business in, nor has it ever been a resident of, the forum below, and generally does not have the "significant contacts" constitutionally required to establish personal jurisdiction.

STATEMENT PURSUANT TO RULE 29.6

Respondent, Hotel Corporation Of The Pacific, Inc., is a wholly subsidiary of ResortQuest International, Inc., a publicly traded company.

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STATEMENT OF THE CASE

A. Procedural History

This action arises from allegations of patent infringement made by Petitioner in a complaint filed with the United States District Court for the Northern District of California on February 26, 1996. On July 1, 1996, the California District Court entered a stay of all proceedings. The stay was entered as a result of a motion joined, *inter alia*, by Respondent requesting such relief. On December 11, 1996, the Judicial Panel on Multidistrict Litigation, pursuant to 28 U.S.C. § 1407, transferred this action to Judge Kenneth Ryskamp at the United States District Court for the Southern District of Florida for consolidated or coordinated pretrial proceedings.

On October 23, 1998, Judge Ryskamp entered an order dismissing this action *sua sponte* and on December 8, 1998, final judgment was entered against Petitioner. Judge Ryskamp's *sua sponte* dismissal was reversed on appeal by the United States Court of Appeals for the Federal Circuit, *Phonometrics, Inc. v. Hospitality Franchise Sys.*, 203 F.3d 790, 53 U.S.P.Q.2d (Fed. Cir. 2000), and the case was re-opened below on April 19, 2000.

On May 3, 2000, Respondent filed a motion to dismiss the complaint for lack of personal jurisdiction. On September 25, 2000, Respondent's motion to dismiss was granted and final judgment was entered against Petitioner. Petitioner appealed the dismissal to the Federal Circuit and, on October 3, 2001, the dismissal was affirmed *per curiam*. Petitioner filed petitions for panel rehearing and rehearing *en banc* both of which were denied by the Federal Circuit on November 13, 2001.

B. Relevant Facts

Petitioner filed a complaint alleging that Respondent infringed United States Patent No. 3,769,463 (hereinafter "the '463 patent") through the use of certain telephone equipment. Petitioner alleges that during the relevant time period Respondent maintained a regular and established place of business within the territorial limits of the United States District Court for the Northern District of California.

Petitioner's allegations of patent infringement are limited to infringing activities purportedly committed by Respondent within a relatively narrow window of time beginning on February 26, 1990 and ending on October 30, 1990 (hereinafter "the relevant time.") During the relevant time, Respondent had its corporate offices in the State of Hawaii. During the relevant time, Respondent dedicated itself solely to the management of hotels and other hospitality properties owned by third parties; Respondent did not own any of the properties it managed. During the relevant time, none of the properties managed by Respondent were located in any state other than Hawaii. Moreover, Respondent did not decide what type of telephone equipment was selected, purchased or installed at any of the properties it managed during the relevant time.

Respondent has never maintained any regular and established place of business in the Northern District of California. In fact, Respondent has: (i) never done any business in California; (ii) never derived any profit from any property located in California; (iii) never solicited business related to any hotel or hospitality property located in California; (iv) never been licensed to do business in California, and (v) never been a resident of California.

There is no evidence on the record which refutes the evidence presented by Respondent that it did not manage or own any hotels in California or that it did not have any significant contacts with California during the time period relevant to Petitioner's allegations.

In fact, the only reason Respondent was named as a defendant in this case is that Petitioner intended to sue every hotel chain which operated a property in Northern California during the relevant time, and erroneously assumed that certain properties located in San Francisco were managed or owned by Respondent.

Petitioner presented no evidence to the district court establishing that Respondent had an actual presence, however tenuous, in Northern California. Instead, Petitioner relied on arguments which purported to explain the reasons for its erroneous assumptions regarding the ownership or management of properties by Respondent in Northern California. Both the district and circuit courts found Petitioner's arguments unpersuasive.

REASONS FOR DENYING THE WRIT

I. The Underlying Action Is Rendered Irrelevant By The Federal Circuit's Decisions In The *Intellicall* And *Northern Telecom* Actions And Petitioner's Admission That Respondent Does Not Infringe The Patent-In-Suit

The '463 patent claims an apparatus for automatically computing and recording the cost of a long-distance telephone call. As described in the specification, cumulative call cost information about the call is displayed to the caller while the call is being made. Claim 1[1] of the '463 patent, the only

---

1. Claim 1 of the '463 patent reads, in its entirety, as follows:

> An electronic solid state long-distance telephone call cost computer apparatus for computing and recording the cost of each long-distance telephone call initiated from a given calling telephone, actuated by the lifting and replacement of the calling telephone to operate switch means coupled to the calling telephone, and further actuated by a call-completion signal generated in the telephone system when a called party answers at a called telephone, the computer apparatus comprising:
>
> call timing means for timing the duration of each completed call;
>
> settable charge selector means for storing initial fixed charge data for a given predetermined initial call interval and incremental charge data for subsequent additional predetermined incremental call intervals;

(Cont'd)

(Cont'd)

call cost register means, including a digital display, for providing a substantially instantaneous display of cumulative call cost in dollars and cents;

and computer circuit means, coupled to said switch, to said timing means, to said charge selector means, and to said call cost register means, for automatically recording, in the call cost register means, the cost of each long-distance call made from the calling telephone, said computer circuit means comprising:

reset means for resetting said timing means and said call cost register means immediately upon occurrence of said call-completion signal;

initial cost transfer means initiating operation of said call timing means and for applying the complete initial fixed charge data from said charge selector means to said call cost register means substantially instantaneously upon resetting of said call timing means and said call cost register;

incremental cost transfer means for applying the complete incremental charge data from said charge selector means to said call cost register means substantially instantaneously upon completion of timing out the initial call interval by said call timing means and for again applying the complete incremental charge data from said charge selector means to said call cost register means substantially instantaneously upon completion of timing out of each incremental call interval following said initial call interval;

(Cont'd)

claim at issue in this case, was interpreted in *Intellicall, Inc. v. Phonometrics, Inc.*, 952 F.2d 1384 (Fed. Cir. 1992), as requiring any infringing device to "provide an *instantaneous visual display* of cumulative call cost in dollars and cents." *Intellicall*, 952 F.2d at 1386-87 (emphasis added).

The scope of claim 1 was revisited in *Phonometrics, Inc. v. Northern Telecom Inc.*, 133 F.3d 1459 (Fed. Cir. 1998), where the court went into great detail in evaluating the scope of the '463 patent. The court in *Northern Telecom* emphasized that its previous interpretation in *Intellicall* was indeed correct. The court further explained its interpretation by stating that one of the primary components at issue in claim 1, the "call cost register means", must "provide[] the caller with real time, accurate information about the cost of the call via digital display as the long distance charges accrue during the call." *Northern Telecom*, 133 F.3d at 1465.

Petitioner did not seek review of either the *Intellicall* or the *Northern Telecom* decisions. Accordingly, all appellate remedies having been exhausted, the definitive interpretation of claim 1 requires that in order for a device to infringe the '463 patent it must provide a caller using the device to place along distance call with a real time digital display of the cost of the call as the call progresses.

However, by Petitioner's own admissions on the record, Petitioner cannot prove that any device owned or operated

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(Cont'd)

> and termination means for interrupting operation of said computer apparatus, with the cumulative call cost held in and displayed by said call cost register means, upon operation of said switch by replacement of the calling telephone.

by Respondent during the relevant time infringes the '463 patent. Furthermore, Petitioner has admitted that respondent has never owned or operated any such device.

Specifically, shortly after the Respondent was dismissed from the case by the district court, Petitioner's corporate representative, and one of the inventors of the '463 patent, testified under oath that Petitioner is not aware of any hotel, including those managed by Petitioner, having telephone systems that display the cost of the call to the caller as the call is taking place. Moreover, during a February 13, 1997 hearing before the district court, Petitioner's counsel stated that "the fact of the matter is that there are none of these equipments that these defendants have that has a display to the caller during the call in progress." Petitioner's statements are a direct admission that Respondent, as well as every one of Respondent's co-defendants below, has not infringed the '463 patent.

On the basis of these admissions and the Federal Circuit's interpretation of claim 1 in *Intellicall* and *Northern Telecom*, on April 12, 2002, the district court granted summary judgment against Petitioner in connection with all remaining co-defendants in the case below. Prior to that, the district court granted summary judgment for the defendant in an identical case filed by Petitioner against an identically situated hotel chain, also on the basis of the *Intellicall* and *Northern Telecom* decisions. *Phonometrics, Inc. v. Choice Hotels*, 117 F. Supp. 2d 1341 (S. D. Fla. 2000). The *Choice Hotels* decision was subsequently affirmed by the Federal Circuit in *Phonometrics, Inc. v. Choice Hotels*, No. 01-1045, 2001 U.S. App. LEXIS 23565 (Fed. Cir. Oct. 9, 2001).

In fact, the district court below is so convinced that Petitioner's admissions, and the previous decisions by the Federal Circuit, have rendered Petitioner's claims totally meritless, that on the same day the court granted summary judgment in favor of Respondent's co-defendants below, it granted a motion for sanctions under FED. R. CIV. P. 11 against Petitioner. In its ruling on the Rule 11 motion, the district court judge below stated that "when [Petitioner] continued to pursue his claims after *Northern Telecom*, he was advocating legal theories which he knew were no longer tenable."[2]

Accordingly, it is clear that regardless of the outcome of the of the instant proceeding, Petitioner, by its own admission, has no valid claim for patent infringement against Respondent. In fact, should this matter be remanded to the district court, Petitioner's continued prosecution of its frivolous claims of patent infringement will, without a doubt,

---

2. It is apparent that the Federal Circuit shares the district court's conclusion that Petitioner's claims are totally devoid of merit. To wit, in its opinion affirming the *Choice Hotels* decision, the Federal Circuit stated:

> [W]e have already addressed and answered the precise question presented in this appeal . . . [u]nder principles of stare decisis, moreover, future panels like the present panel will follow the claim construction set forth by our court in [Intellicall and Northern Telecom] and, therefore, we would not welcome further appeals seeking to re-litigate the meaning of that phrase. Indeed, further appeal on that issue would appear to be subject to possible sanctions as frivolously filed under Fed. R. App. P. 38.

Choice Hotels, 2001 U.S. App. LEXIS 23565, at *3 -*4

be sanctioned under FED. R. CIV. P. 11 and/or FED. R. APP. P. 38 in accordance with the admonitions of the district court and the Federal Circuit.

With all deference due to this Court, Respondent would propose that this case does not warrant the Court's review. It is well settled that a petition for a writ of certiorari will be granted only for compelling reasons. SUP. CT. R. 10. None of the traditional reasons for granting certiorari (such as a conflict between two courts of appeal; a decision affecting an important federal question not yet settled by this Court; or a significant departure from the accepted and usual course of judicial proceedings invoking the Court's supervisory power) have been raised by Petitioner.

On the contrary, Petitioner requests the Court to review this case purely on grounds that the circuit and district courts made erroneous factual findings (i.e., that Respondent did not have "significant contacts" with the forum in question) and misapplied a properly stated rule of law (i.e., that Respondent did not waive its defense of lack of personal jurisdiction.) Both are grounds upon which certiorari is rarely, if ever, granted. *Id.*

To compound matters, Petitioner seeks review of a decision so insignificant that it did not even merit an opinion from the Federal Circuit, in a case which is all but decided regardless of whether Petitioner's appeal is successful. Accordingly, on these grounds alone, the Petition should be denied.

II. The District Court Properly Granted, And The Circuit Court Properly Affirmed Granting Of, The Motion To Dismiss For Lack Of Personal Jurisdiction

The sole issue raised in the appeal below by Petitioner was whether Respondent, pursuant to Rule 12(h) of the Federal Rules of Civil Procedure, waived a defense of lack of personal jurisdiction. In fact, the clear and unambiguous language of Rule 12(h) states that in order for a prior Rule 12 motion to act as a bar to a subsequent motion to dismiss for lack of personal jurisdiction, both motions must be made by the same party. To the extent the Trial Court's dismissal *sua sponte* can be deemed to be a motion under Rule 12, it was clearly not filed by Respondent and therefore it cannot act to bar Respondent's motion to dismiss. In addition, contrary to Petitioner's assertions, Respondent's joinder in a motion to stay, which was eventually granted, similarly cannot act as a bar to a subsequent motion to dismiss under Rule 12. Finally, it was Petitioner itself who waived any argument under Rule 12(h) by failing to raise it prior to filing the circuit court appeal.

Substantively, the district court reached the correct legal conclusions in granting the motion to dismiss for lack of personal jurisdiction. The court below applied the proper law and after reviewing all of the evidence presented by the parties concluded that Respondent's lacked the required significant contacts with the Northern District of California to satisfy the Due Process requirements of the Fourteenth Amendment pursuant to *International Shoe Co. v. Washington*, 326 U.S. 310 (1945) and its progeny.

Accordingly, the district court's ruling was correct and the circuit court was correct in leaving it undisturbed.

A. The Trial Court's *Sua Sponte* Dismissal Cannot be Imputed to Respondent as a Prior Rule 12 Motion

Petitioner's primary argument below was that the district court's October 23, 1998 *sua sponte* dismissal of the complaint is equivalent to a motion to dismiss under Rule 12(b)(6) which should be imputed on Respondent because Respondent "accepted" the dismissal. Petitioner argued that the purported 12(b)(6) motion should be imputed on Respondent so as to prevent any subsequent motions under Rule 12, including the 12(b)(2) motion which was eventually granted. Petitioner's argument is unsupported by law and is unpersuasive. *See Munoz v. Strahm Farms, Inc.*, 69 F.3d 501, 504-505 (Fed. Cir. 1995.)

Petitioner's argument is fatally flawed in at least two respects. First of all, the district court *sua sponte* dismissed Petitioner's complaint. No party filed a motion to dismiss under Rule 12. The district court of its own accord decided to dismiss the complaint. There is simply no legal basis to impute on Respondent or any other party the district court's *sua sponte* action as a Rule 12 motion to dismiss. The fact that the circuit court reviewed the *sua sponte* dismissal using the same standards used in a 12(b)(6) motion provides no basis to impute on Respondent actions not taken by Respondent. To accept Petitioner's argument would require this Court to adopt the unreasonable notion that an order entered by the district court on its own accord, without any input from, or notice to, a defendant, may be imputed on the defendant to the defendant's prejudice. Petitioner is unable to cite a single authority in support of its position. The circuit court, therefore, rightfully rejected Petitioner's argument.

Second, Rule 12(g) FED. R. CIV. P., which forms the basis for the waiver provisions of Rule 12(h)(1)(A), states that "if a *party* makes a motion under this rule but omits therefrom any defense or objection then available to the party which this rule permits to be raised by motion, the party shall not thereafter make a motion based on the defense or objection so omitted." (emphasis added). The district court's *sua sponte* dismissal was not a motion made by "a party." It was a decision made by the district court without any input or motion by any party. Accordingly, since there was no motion made by a party, the provisions of Rules 12(g) and 12(h)(1)(A) are inapplicable to the instant facts.

A contrary application of Rules 12(g) and 12(h)(1)(A) would deprive Respondent of due process. In the instant situation, Respondent did not learn of the district court's *sua sponte* dismissal until after it had been entered. Contrary to Petitioner's suggestion, it was not up to Respondent to "accept" or reject the district court's dismissal. It was simply entered by the district court and Respondent, like the Petitioner, was bound by it. Even if Respondent had learned of the dismissal prior to it having been entered, Respondent would not have had an opportunity to advance its defense of lack of personal jurisdiction since the matter below was under a court-ordered stay. Under Petitioner's reading of Rules 12(g) and 12(h)(1)(A), once the dismissal was entered it was too late for Respondent to raise its jurisdictional defense. Respondent would have no avenue to assert a defense of lack of personal jurisdiction. The circuit court properly reject Petitioner's argument and this Court should leave it undisturbed.

During the circuit court appeal, Petitioner cited two cases in support of its waiver theory. Both cases were easily

distinguished on the facts and neither lends any support to the relief requested by Petitioner. In *Zelson v. Thumforde*, 412 F.2d 56 (3d Cir. 1969) the trial court was reversed when it dismissed a complaint for lack of personal jurisdiction. In that case, however, the defendant who sought dismissal had filed a motion to dismiss pursuant to a statute of limitations prior to seeking dismissal on jurisdictional grounds. In the court's own words,

> [i]t should be emphasized that this is not a case where a defendant takes no action whatsoever to submit himself to the jurisdiction of the court . . . [i]n the instant appeal, of course, the defendants-appellants did move to dismiss, on the statute of limitations ground, without raising the issue of proper service of process.

Id. at 59. Clearly the facts in *Zelson* are distinguishable from those here since Respondent did not take any actions which would submit it to the court's jurisdiction.

Similarly, in *Trust Co. of Louisiana v. NNP, Inc.*, 104 F.3d 1478 (5th Cir. 1997), the court ruled that the claim of lack of personal jurisdiction was waived by a defendant who participated in an entire trial without raising the defense and then raised the defense for the first time on appeal. This ruling in fact lends support to Respondent's argument, *infra*, that Petitioner has waived its right to assert an argument for the first time on appeal. It does not lend any support to Petitioner's position

B. Respondent's Joinder in a Co-Defendant's Motion for Stay Does Not Constitute Waiver of a Motion to Dismiss for Lack of Personal Jurisdiction.

Petitioner's argument, raised for the first time in its December 20, 2000 circuit court brief, that joinder in a motion to stay constitutes waiver of the personal jurisdiction question, has been waived and should not even have been considered by the circuit court. Notwithstanding this, the circuit court entertained the argument and found it lacking in merit.

The filing which Petitioner claims constitutes a waiver under Rule 12(h), was Respondent's joinder in a Motion for a Stay, *or in the Alternative*, for a More Definite Statement, filed by co-defendant below, Red Lion Hotels, Inc. The request for a more definite statement was raised only as an alternative relief and was only to be considered by the district court in the event the motion for stay was denied. The district court, recognizing the propriety of entering a stay under the circumstances, granted the motion for a stay and did not even consider the request for alternative relief. This much is clear from the order granting the motion for a stay which does not even address the merits of the request for alternative relief. Accordingly, since the request for a more definite statement was never even reached or decided by the district court below, it could not constitute a waiver of the personal jurisdiction question which resulted in Petitioner's dismissal.

The express intent of Rule 12(h), as noted in the official Advisory Committee Notes for the 1966 amendment, is to prevent "piecemeal consideration of a case" through the filing of "successive motions" under Rule 12. Had the circuit court

ruled that the aforementioned joinder should act as a waiver under Rule 12(h), it would not have promoted the express intent of the Rule's drafters. It would have been inconsistent with that express intent to allow Rule 12(h) to be used to dictate the waiver of a clearly valid jurisdictional defense on the basis of a request for alternative relief which was never even addressed or ruled upon by the Court with which it was filed.[3] Moreover, it is contrary to the law and unjust to do so under the circumstances of the instant matter where the Petitioner failed altogether to even raise the issue of waiver until more than seven months after Appellee filed the motion from which judgment is appealed.

C. Petitioner Has Waived Any Argument Under Rule 12(h) By Failing To Raise It Below

Petitioner waived its right to assert any argument under Rule 12(h) by failing to raise it during any of the district court proceedings. In fact, Rule 12(h) was never even mentioned in any of the several pleadings or memoranda of law filed by Petitioner in response to Respondent's motion to dismiss and was never raised by Petitioner's counsel during the hearing held on the same motion or at any time prior to the instant appeal.

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3. Appellant asserts that the request for a more definite statement was ultimately denied by the district court. However, that denial was solely in response to a motion requesting a continuation of the stay in discovery filed by Respondent's co-defendants below. Respondent did not join in said motion and therefore should not be held to have waived the defense of lack of personal jurisdiction based on that ruling. Moreover, the district court's ruling was based on events subsequent to the filing of Respondent's original joinder (i.e., the circuit court's reversal of the sua sponte dismissal of the Complaint) and, therefore, the fact remains that the merits of the original alternative request for more definite statement were never addressed prior to it becoming a moot point.

It is well settled that an appellate court generally need not consider an argument not raised in the proceedings below and this Court should not carve out an exception for this case. *Singleton v. Wulff*, 428 U.S. 106, 120, 96 S. Ct. 2868, 49 L. Ed. 2d 826 (1976); *Boggs v. West*, 188 F.3d 1335, 1338 (Fed. Cir. 1999); *Braun, Inc. v. Dynamics Corp. of America*, 975 F.2d 815, 821 (Fed. Cir 1992); *CPG Products Corp. v. Pegasus Luggage, Inc.*, 776 F.2d 1007, 1009 (Fed. Cir. 1985).

Petitioner, for the first time, raised its argument under Rule 12(h) in its appellate brief dated December 20, 2000 without providing any justification for omitting same from any proceeding before the district court.

D. The District Court's Finding of Lack of Personal Jurisdiction was in Accord With the Applicable Law

Certiorari should be denied because the record clearly shows that the district court correctly granted, and the circuit court correctly affirmed granting of, Respondent's motion to dismiss for lack of personal jurisdiction.

1. *The district court Applied the Proper Law*

In order to determine whether it may exercise personal jurisdiction over an out of state defendant, the court must determine: (1) whether the state long-arm statute permits assertion of jurisdiction; and (2) whether sufficient "minimum contacts" exist to satisfy the due process requirements of the Fourteenth Amendment so that maintenance of the suit does not offend "traditional notions of fair play and substantial justice" under *International Shoe*. *See 3D Sys. v. Aarotech Labs., Inc.*, 160 F.3d 1373, 48 U.S.P.Q.2d 1773 (Fed. Cir. 1998).

In analyzing the issue of personal jurisdiction over a defendant accused of patent infringement, a district court must apply the law of the Federal Circuit rather than that of the regional circuit in which the case arises. *See Akro Corp. v. Luker*, 45 F.3d 1541, 1543 (Fed. Cir.), *cert. denied*, 515 U.S. 1122 (1995); *Beverly Hills Fan Co. v. Royal Sovereign Corp.*, 21 F.3d 1558, 1565 (Fed. Cir. 1994). Despite this requirement, the same basic test utilized in the Eleventh Circuit for determining the existence of personal jurisdiction applies in the Federal Circuit: the court must conduct a two-part inquiry to determine whether personal jurisdiction exists under the forum state's long arm statute and the Due Process Clause of the United States Constitution. *See Akro*, 45 F.3d at 1544-45; *Beverly Hills Fan*, 21 F.3d at 1564-66; *Robinson v. Giarmarco & Bill, P.C.*, 74 F.3d 253, 256 (11th Cir. 1996); *Maxwell Chase Techs., L.L.C. v. KMB Produce, Inc.*, 79 F. Supp. 2d 1364 (11th Cir. 1999).

This is exactly the kind of analysis the district court engaged in rendering its decision. The district court first determined, and the parties are in agreement, that California's long-arm statute, and not Florida's, was the proper state statute to apply for the first part of the analysis. California's long-arm statute reads in its entirety: "A court of this state may exercise jurisdiction on any basis not inconsistent with the Constitution of this state or of the United States" Cal. Code Civ. Proc. § 410.10.

California courts have held that the limits of the state long arm statute are co-extensive with the limits of the United States Constitution. *Core-Vent Corp. v. Nobel Indus. AB*, 11 F.3d 1482, 1484 (9th Cir. 1993). Where a state's long arm statute confers personal jurisdiction to the limits of Due Process, the court may pass over analysis of the statute and

exercise jurisdiction where the constitutional requirements are satisfied. *Core-Vent Corp. v. Nobel Indus. AB*, 11 F.3d at 1484; *Allegiant Physicians Serv., Inc. v. Sturdy Memorial Hospital*, 926 F. Supp. 1106, 1112 (N.D. Ga. 1996). Accordingly, the district court properly analyzed the question of personal jurisdiction in accordance with *International Shoe Co. v. Washington*, 326 U.S. 310, 316 (1945) and its progeny.

2. *The Record is Replete with Uncontroverted Evidence that Respondent Lacks the Requisite Significant Contacts with Northern California*

The Federal Circuit generally defers to a state's highest court to interpret whether a defendant is amenable to process in the forum state. *See Hortonville Joint Sch. Dist. No. 1 v. Hortonville Educ. Ass'n*, 426 U.S. 482, 488, 96 S. Ct. 2308, 2312, 49 L. Ed. 2d 1 (1976); *see also 3D Sys. v. Aarothech Labs*, 160 F.3d at 1377, 48 U.S.P.Q.2d at 1775-76. The Ninth Circuit has recognized that in Florida, when the Complaint contains sufficient allegations to form a basis for *in personam* jurisdiction, the burden shifts to the defendant to challenge plaintiff's allegations by affidavits or other pleadings. *Amba Marketing Systems, Inc. v. Jobar International, Inc.*, 551 F.2d 784 (9th Cir. 1977). If the defendant sufficiently challenges plaintiff's assertions in an evidentiary hearing, the plaintiff must affirmatively support its jurisdictional allegations and may not merely rely upon the factual allegations set forth in the complaint. *Id.* at 787; *see also Prentice v. Prentice Colour, Inc.*, 779 F. Supp. 578, 586 (M.D. Fla. 1991) (Describing similar requirements in the Eleventh Circuit)

There are two recognized bases for personal jurisdiction over out of state defendants: (1) "general jurisdiction" which arises when, a defendant's contacts with the forum state are

so pervasive as to justify the exercise of jurisdiction over the person in all matters, and (2) "specific jurisdiction" which arises out of the defendant's contacts with the forum giving rise to the subject litigation. *See Helicopteros Nacionales de Colombia S.A. v. Hall*, 466 U.S. 408, 414, 104 S. Ct. 1868, 80 L. Ed. 2d 404 (1984). In view of the criteria advanced in *Helicopteros*, the allegations of the complaint, and testimony presented during an evidentiary hearing held below, it is clear that the facts of this case do not support an assertion of general jurisdiction over Respondent. The uncontroverted testimony of Respondent's corporate representative was that during the relevant period of time Respondent was not a resident of California, had no offices or facilities in California, was not licensed to do business in California, did not operate or manage any hotels in California, nor owned any real property in the state.

With regard to specific jurisdiction, the Ninth Circuit, in *Data Disc, Inc. v. Systems Tech. Assocs., Inc.*, 557 F.2d 1280, 1287 (9th Cir. 1977), has recognized that in California the significant contacts between a party and the subject forum required by *International Shoe* do not exist unless the party through some act purposely avails itself of the benefits of the forum state. *See also Haisten v. Grass Valley Med. Reimbursement Fund*, 784 F.2d 1392, 1397 (9th Cir. 1986); *Indiana Plumbing Supply, Inc. v. Standard of Lynn, Inc.*, 880 F. Supp. 743 (C.D. Cal. 1995).

Again, at the hearing before the district court, Respondent's corporate representative unequivocally stated that Respondent has never done any business in California, has never been a resident of California, and has never maintained a regular and established place of business in California. This evidence was unrefuted by Petitioner who was given an opportunity to present evidence to the contrary not only during the hearing but also for thirty days thereafter.

The only evidence presented by Petitioner in an attempt to refute Respondent's testimony was a declaration from its attorney which attached pages from a hospitality trade publication and a San Francisco telephone book which purportedly identified two hotels in San Francisco as belonging to Respondent. This "evidence" was easily refuted by Respondent's witness who explained that the only reason the owner of the two hotels (HCP, Inc., a company totally separate and independent from Respondent) was permitted to associate the Respondent name with the two San Francisco properties was so that they could use Respondent's toll-free reservations telephone number.[4] This, however, did not mean that Respondent had any ownership interest in the San Francisco hotels or that Respondent had anything to do with the management of said hotels. In short, the only connection between Respondent and the two San Francisco hotels was a shared toll-free reservations telephone line from which Respondent derived no benefit. Accordingly, Respondent has not purposefully availed itself of the benefits of the State of California.

Moreover, Respondent established through the unrefuted testimony of its witness that the activities conducted by Respondent on behalf of hotels owners are limited to management of their hotels, not operation, specification, purchase or installation of telephone equipment. Therefore, even if Respondent did conduct some activities in California (which it did not), the Petitioner's cause of action would not arise out of those activities. That fact alone, under California law, would act as a bar to personal jurisdiction. *See Data Disc, Inc. v. Systems Tech. Assocs., Inc.*, 557 F.2d 1280, 1287 (9th Cir. 1977).

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4. The same witness testified that the toll-free reservations number was answered by a company in Texas, not California.

After reviewing all of the evidence presented and reviewing all legal argument from counsel, the district court properly determined, and the circuit court agreed, that any contacts between Respondent and California were extremely minimal and did not justify either general or specific jurisdiction. This Court should not disturb that correctly reached conclusion.

CONCLUSION

For the foregoing reasons, Respondent respectfully requests that this Honorable Court deny the Petition.

Respectfully submitted,

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(2)

Supreme Court, U.S.
FILED

MAY 20 2002

OFFICE OF THE CLERK

NO. 01-1468

In the

SUPREME COURT OF THE UNITED STATES

October Term 2001

PHONOMETRICS, INC.,

Petitioner,
v.

HOTEL CORPORATION OF THE PACIFIC
(doing business as ASTON HOTELS & RESORTS)

Respondent.

On Petition for Writ of Certiorari To the United States Court of Appeals For the Federal Circuit

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REPLY TO BRIEF IN OPPOSITION

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18 pp

CORPORATE DISCLOSURE STATEMENT

Petitioner, Phonometrics, Inc., is a Florida corporation. There are no parent corporations. No publicly held company owns 10% of Phonometrics, Inc.

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APPENDIX K A-1 to A-8

Order Granting The Defendants' Motions for Attorneys' Fees and Costs Filed September 8, 1999 in *Phonometrics, Inc. v. Hospitality Franchise Systems, Inc., et al.*, U.S.D.C. (S.D.FL.) Case No. 97-8125-Civ-Ryskamp

REPLY TO BRIEF IN OPPOSITION

Aston fails to address the facts of the case in its Opposition. The Petition includes Appendices C through F. The first one shows that Aston had THE ASTON PICKWICK HOTEL in San Francisco in the relevant period (Appendix C). Aston fails to prove that the advertisement was not placed, was not true, or somehow was not what it purports to be. Instead, Aston simply alleges that it has "never done any business in California," has never profited from any California property; never solicited business at a California hotel; never legally done business in California, and never resided in California (Opposition, page 2).

If Appendix C is not evidence that Aston does business in California, then Aston must come forward with evidence that THE ASTON PICKWICK HOTEL was not in business at the time. No such evidence is in the record. If THE ASTON PICKWICK HOTEL was not profitable because it lost money, that is not a defense to patent infringement. An infringer must pay no "less than a reasonable royalty" in damages, whether the infringer has profits or not (35 U.S.C. §284). Lack of profit is not relevant to whether the defense of Rule 12 was waived. If Appendix C is not a solicitation to prospective hotel guests, what is it? No explanation is provided to show that Appendix C is not a solicitation. Whether Aston was licensed to do business in California is likewise irrelevant to the issue of whether the defense was waived. If THE ASTON PICKWICK HOTEL does not reside at 85 Fifth Street in San Francisco, California, there should be some explanation of why not.

Appendix D is the 1989-1990 version of the Telephone Directory for San Francisco. Appendix E is the

same listing for 1990-1991. ASTON HOTELS AND RESORTS lists three hotels in the first part of 1990, and two hotels for the latter part of 1990. It would appear that they were doing business, but if they were not, there should be some explanation why they were not. Whether they were profitable or licensed to do business makes no difference to the issue of whether they were in business. If the ad is not a solicitation for ASTON hotels, it should be explained why not.

Appendix F is the Directory of members of the American Hotel and Motel Association for the relevant period. Three San Francisco hotels are listed, suggesting that ASTON did business in California, solicited business and had contacts with California. If that were not true, there should have been an explanation as to why the ad is not truthful.

It is not enough to state that Phonometrics "presented no evidence to the district court establishing that Respondent had an actual presence" in California. Aston does not say a word about what Appendices C through F show. At page 20 of the Opposition, Aston says that this evidence is "easily refuted" by the testimony that a related company actually owns the hotels that are licensed to use the "Aston" name. Ownership of the hotels is not the test of patent infringement. Rather, the test is whether the hotel "makes uses, offers to sell or sells any patented invention" (35 U.S.C. §271(a)). It is not denied that the hotels use the invention.

The Opposition is equally deficient on the applicable law.

1. PRIOR CASES DO NOT GOVERN WHETHER ASTON TIMELY FILED A RULE 12(b)(2) MOTION.

Pages 4-9 of the Opposition are devoted to two prior cases decided by the Federal Circuit. Neither had anything to do with hotels, and neither had anything to do with a Rule 12(b)(2) motion. The argument is that Phonometrics will lose if the Petition is granted and the case remanded for trial on the merits. Futility of a claim at trial is not a substitute for filing a timely Rule 12(b)(2) motion. Response on the merits will be reserved until trial on the merits.

2. TWO RULE 12 MOTIONS WERE FILED ON BEHALF OF ASTON, AND EACH OF THEM OMITTED RULE 12(b)(2).

In 1996, Red Lion Hotels, a co-defendant of Aston's in the same case, filed a Rule 12(e) motion. Aston filed "as and for its response to the complaint" (Appendix G) a pleading joining in the Red Lion Motion. It is not disputed that Appendix G was filed by Aston. It is a Rule 12 motion that omitted a Rule 12(b)(2) defense. "If a party makes a motion under this rule but omits therefrom any defense or objection then available to the party which this rule permits to be raised by motion, the party shall not thereafter make a motion based on the defense or objection so omitted" (Rule 12(g)). The Aston Rule 12(b)(2) motion was filed May 3, 2000, four years later (Appendix J). It is pellucid that the Rule 12(b)(2) motion was waived as untimely filed.

Aston seeks to excuse its failure to include its Rule 12(b)(2) defense in Appendix G on the ground that the Rule 12(e) defense was "*in the alternative*" (Opposition, page 14, emphasis present). It is still a Rule 12 defense that omitted the Rule 12(b)(2) defense in violation of Rule 12(g).

The other Rule 12 motion filed on behalf of Aston was under Rule 12(b)(6). Aston contends (page 10) that the motion was not clearly a "motion filed under Rule 12." However, no other jurisdictional basis for Appendix H is proposed. The district court did not cite Rule 12 specifically, but he did cite Rule 11 in footnote 1, where he threatened counsel with sanctions if specific allegations were not made in the complaint. The district court then further showed its bias towards Phonometrics in granting awards of attorney fees under 35 U.S.C. §285 in favor of all defendants who requested such an award, including Aston. The attorney fee award was reversed by the Federal Circuit, as was the Rule 12(b)(6) motion.

Aston now says that the 12(b)(6) motion "was clearly not filed by Respondent" (page 10). If it was not filed by Respondent, then how could the district court award attorney fees to Aston as the "prevailing party" under 35 U.S.C. §285? If "[t]here is simply no legal basis" (page 11) for concluding that Aston was the moving party in the 12(b)(6) motion, then there was no legal basis for making Aston the prevailing party for purposes of an award of attorney fees. Aston cannot seek the benefit of the motion to dismiss when the district court carried out its threat to punish Phonometrics by awarding attorney fees, then years later disclaim that the motion was filed on its behalf.

It is undisputed that the Rule 12(b)(6) motion was filed on behalf of the defendants, including Aston (Appendix H). Rule 12(b) requires that "the responsive pleading" of a party must raise defenses, "except that the following defenses may at the option of the pleader be made by motion." One of those exceptions is failure to state a claim upon which relief can be granted. It is thus clear that the motion must be filed by a "pleader," in this case Aston. The

district court did not file the motion "of its own accord" (page 11). Clearly, it was filed on behalf of "pleaders."

The Rule 12(b)(6) motion failed to plead the Rule 12(b)(2) defense. It cannot be filed years later. The argument that Aston was not a "party" to the Rule 12(b)(6) motion (page 12) is disingenuous. Aston was the "prevailing party" under 35 U.S.C. §285 when it was awarded attorney fees for the successful motion to dismiss (Appendix K attached hereto). It unquestionably was a party to the motion.

3. ASTON WAIVED A DEFENSE, NOT PHONOMETRICS.

Finally, Aston argues that it is Phonometrics that has waived reliance on Rule 12(h), which somehow trumps the failure to include Rule 12(b)(2) in either one of its prior Rule 12 motions (page 15). First, there is no support for the proposition that Rule 12(g) and (h) are excused if not raised in the district court. Second, if there were some basis for requiring the district court to rule on the issue, the Federal Circuit would have remanded the case for consideration of the issue. It is not a reason to dismiss an appeal when an issue must be considered by a district court in the first instance. Remand for further proceedings is the remedy if the district court must decide an issue in the first instance.

Remand is usually to decide fact issues, not law issues. Whether or not a waiver occurred is purely a question of law, since there is no dispute that the 12(b)(2) defense was not raised in either the Rule 12(e) motion or the later Rule 12(b)(6) motion. This court is in the same position as the Federal Circuit and the district court to decide that issue.

CONCLUSION

The Petition should be granted, and the case should be remanded with instructions to determine the case on the merits, since four years later is not presenting the issue "early in the action" Wright & Miller, *Federal Practice & Procedure*, §1349.

Dated: May 17, 2002

Respectfully submitted,

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APPENDIX K

UNITED STATES DISTRICT COURT
SOUTHERN DISTRICT OF FLORIDA
NORTHERN DIVISION

Case No. 97-8125-CIV-RYSKAMP/VITUNAC

PHONOMETRICS, INC.,
A Florida corporation,

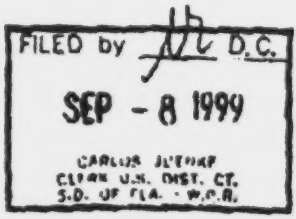
Plaintiff,

v.

HOSPITALITY FRANCHISE SYSTEMS, INC., *et al.*,

Defendants.

_____/



ORDER GRANTING THE DEFENDANTS' MOTIONS FOR ATTORNEYS' FEES AND COSTS

THIS CAUSE came before the Court upon the motion of Red Lion Hotels, Inc. and RHI Hotels, Inc. for attorneys fees and costs [DE 34], filed January 8, 1999, and defendant Aston Hotels and Resorts' motion for attorneys' fees and costs [DE 43], filed February 8, 1999. The motions have been fully briefed and are ripe for adjudication.

1. BACKGROUND

On October 30, 1973, Phillip Graham and Lawrence Reich were issued a '463 patent. The patent claimed a computer device designed for use, for example, in hotels, to track the length and cost of long distance telephone calls made from individual hotel rooms. The device enabled hotel operators to bill guests for their correct share of long distance use without making a separate inquiry for "time and charges" of each individual call from an AT&T operator.

The plaintiff, Phonometrics, Inc., has a long history of bringing unsuccessful claims under the '463 patent. During a hearing held February 13, 1997, it became apparent to this Court that the plaintiff was pursuing a theory fundamentally at odds with the Federal Circuit's decision in *Intellicall, Inc. v. Phonometrics, Inc.*, 952 F.2d 1384 (Fed. Cir. 1992), and this Court's decision in *Phonometrics, Inc. v. Northern Telecom,* Case No. 93-6561-CIV-RYSKAMP. Accordingly, by order filed March 7, 1997, the Court stayed this case pending resolution of the *Northern Telecom* decision by the Federal Circuit.

On January 15, 1998, the Federal Circuit affirmed this Court's decision in *Northern Telecom. See Phonometrics, Inc. v. Northern Telecom,* 133 F.3d 1459 (Fed. Cir. 1998). Thereafter, this Court lifted the stay and considered the plaintiff's claim.

This Court found that, through the *Northern Telecom* and *Intellicall* decisions, the Federal Circuit effectively defined the scope of claim 1 of the plaintiff's '463 patent. In particular, the Federal Circuit explained that the relevant portion of claim 1 of the '463 patent requires a "call cost register means, including a digital display, for providing a substantially instantaneous display of cumulative call cost in dollars and cents." *Northern Telecom*, 133 F.3d at 1464. In *Northern Telecom*, the Court explained that the term "substantially instantaneous" means that the "register displays cumulative costs as they accrue, in real time, and not only once the call has ended." *Id.* at 1465. Moreover, the Court in *Intellicall* had previously established that the term "digital display" means a visual display and not machine readable information. *Intellicall*, 952 F.2d at 1387-88.

Therefore, this Court found that in order to state a cause of action for infringement of claim 1 of its '463 patent, the plaintiff must allege that the defendant's call cost accounting equipment:

(1) displays cumulative costs in real time as they accrue; and

(2) displays these costs on a visual digital display.

The plaintiff's complaint did not make these allegations. Accordingly, this Court dismissed the plaintiff's complaint with leave to amend.

Rather than amend its complaint to state a valid patent infringement claim, the plaintiff appealed this Court's order dismissing the complaint with leave to amend to the Federal Circuit. Accordingly, this Court entered Final Judgment in favor of the defendants. Defendants Red Lion Hotels, Inc. ("Red Lion"), RHI Hotels, Inc. ("RHI") and Aston Hotels and Resorts ("Aston") now move for an award of attorneys' fees and costs.

II. LEGAL STANDARD

Under the patent laws, "[t]he court in exceptional cases may award reasonable attorney fees to the prevailing party." 35 U.S.C. § 285. Generally, an award of fees and costs in a patent case must be the exception and not the rule. *See Milgo Elec. Corp. v. United Bus. Communications, Inc.*, 623 F.2d 645, 667 (10th Cir. 1980), *cert. denied*, 449 U.S. 1066 (1980); *Uniflow Mfg. Co. v. King-Seeley Thermos Co.*, 428 F.2d 335, 340 (6th Cir. 1970), *cert. denied*, 400 U.S. 943 (1970). Where a party makes a colorable, albeit weak, argument that was not raised in bad faith," the court should not grant attorneys' fees. *TVI Energy Corp. v. Blaine*, 806 F.2d 1057, 1061 (Fed. Cir. 1986). Conversely, when the claim is "clearly hopeless and unquestionably without any possible basis in fact or law," the court has discretion to award costs and fees. *Chemical Engineering Corp. v. Marlo, Inc.*, 754 F.2d 331, 335 (Fed. Cir. 1984). *See also Eltech Sys. Corp. v. PPG Indus., Inc.*, 903 F.2d 805, 811 (Fed. Cir. 1990).

("Where . . . the patentee is manifestly unreasonable in assessing infringement, while continuing to assert infringement in court, an inference is proper of bad faith, whether grounded in or denominated wrongful intent, recklessness, or gross negligence.")

III. DISCUSSION

A. Is this an Exceptional Case?

The patent statutes, by 35 U.S.C. § 285, permit a court to award reasonable attorneys' fees to the prevailing party in cases, *inter alia,* of bad faith litigation. Section 285 states, "[t]he court in exceptional cases may award reasonable attorneys' fees to the prevailing party." In *Eltech*, 710 F. Supp. 622, 636 (W.D. La 1988), *aff'd,* 903 F.2d 805 (Fed. Cir. 1990), the court explained that "the filing and maintaining of an infringement suit which the patentee knows, or on reasonable investigation should know, is baseless constitutes grounds for declaring a case exceptional under 35 U.S.C. § 285 and awarding costs, attorney fees and expenses to the accused infringer." In affirming the district court in *Eltech,* the Federal Circuit stated:

> Where, as here, the patentee is manifestly unreasonable in assessing infringement, while continuing to assert infringement in court, an inference is proper of bad faith, whether grounded in or denominated wrongful intent, recklessness, or gross negligence.

Eltech, 903 F.2d at 811.

This Court has previously awarded attorneys' fees to the prevailing defendants in *Phonometrics v. Northern Telecom,* Case No. 93-6561-CIV-RYSKAMP (Order Granting Motion for Attorneys' Fees and Costs, filed August 12, 1998), and *Phonometrics v. Tadiran Electronic Industries, Inc.,* Case No. 94-7108-CIV-RYSKAMP (Order Granting Attorneys' Fees and Costs, filed June 15, 1998). As explained in those orders, on the basis of the Federal Circuit's decision in *Intellicall,* the plaintiff knew or upon reasonable investigation should have known that its claims were baseless. The *Intellicall* Court rejected the plaintiff's interpretation of its patent and instead interpreted the patent as only covering "a device that visually displays the cost of a call to a human being as the information is being collected" and provides "an instantaneous digital display of cumulative call cost in dollars and cents." *Intellicall,* 952 F.2d at 1387-89. This Court concluded that the plaintiff's claims were brought in bad faith because the plaintiff either knew or upon reasonable investigation would have learned that the defendants did not have call cost accounting equipment which provided an instantaneous cumulative display of the cost of the call during the call.

The same reasoning applies with equal force in this case. Moreover, the fact that the plaintiff failed to amend its complaint to allege that the defendants' call cost accounting equipment met the limitation of its claim as construed by the Federal Circuit confirms that the plaintiff's claim was brought in bad faith. Accordingly, the Court will award the defendants their reasonable attorneys' fees and costs incurred in defending this case.

B. Reasonableness of the Fee Requests.

The Eleventh Circuit's opinion in *Norman v. Housing Authority,* 836 F.2d 1292 (11th Cir. 1988), spells out the steps a district court must take in determining the reasonableness of requested attorney's fees. "[T]he starting point in any determination for an objective estimate of the value of a lawyer's services is to multiply hours reasonably expended by a reasonable hourly rate." *Id.* at 1299 (*citing Hensley v. Eckerhart,* 461 U.S. 424, 433 (1983)). The party requesting fees bears the burden of establishing what is the reasonable hourly rate, which is "the prevailing market rate in the relevant legal community for similar services by lawyers of reasonably comparable skills, experience, and reputation." *Id.* at 1299 (citations omitted). "The next step in the computation of the lodestar is the ascertainment of reasonable hours." *Id.* at 1301. "[E]xcessive, redundant or otherwise unnecessary hours should be excluded from the amount claimed." *Id. (citing, Hensley,* 461 U.S. at 434).

Defendant Red Lion seeks $23,330.75 in attorneys' fees and $1206.06 in costs. Defendant RHI seeks $12,309.00 in attorneys' fees and $1206.06 in costs. Defendant Aston seeks $37,746.90 in attorneys' fees and $2,585.05 in costs. The Court has reviewed the billing records submitted by the defendants and finds that the fee requests are reasonable. In particular, the Court finds that the hourly rates charged by the defendants' attorneys reflect the market value for the services provided. Moreover, the Court finds that the time expended defending this litigation was reasonable. Finally, the Court finds that the costs requested are reasonable.

IV. CONCLUSION

THE COURT has considered the motions and the pertinent portions of the record, and being otherwise fully advised in the premises, it is

ORDERED AND ADJUDGED that:

1) The motion of Red Lion Hotels, Inc. and RHI Hotels, Inc. for attorneys' fees and costs [DE 34] be, and the same is hereby GRANTED. Defendant Red Lion Hotels, Inc. is awarded $23,330.75 in attorneys' fees and $1206.06 in costs. Defendant RHI Hotels, Inc. is awarded $12,309.00 in attorneys' fees and $1206.06 in costs.

2) Defendant Aston Hotels and Resorts' motion for attorneys' fees and costs [DE 43] be, and the same is hereby GRANTED. Defendant Aston Hotels and Resorts is awarded $37,746.90 in attorneys' fees and $2,585.05 in costs.

DONE AND ORDERED in Chamber at West Palm Beach, Florida this 8th day of September, 1999.

KENNETH L. RYSKAMP
UNITED STATES DISTRICT JUDGE

Copies provided:
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